USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.07

Required Report - public distribution

Date: 2006/3/15

GAIN Report Number: TW6010

Taiwan

Market Development Reports

Fresh Stone Fruit Annual

2006

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Report Highlights:
Overall stone fruit consumption has regained import levels last seen in 2002 and is expected to grow 4~6%/year for several years, assuming stable prices and supply. Availability of new types and varieties of summer fruit in Taiwan continues to stall stone fruit's ability to match the overall growth in fruit consumption. Stone fruit imports in Taiwan recovered in 2005 from two consecutive years of poor crops and high prices across all categories. Plums, particularly good and reasonably priced from both the northern and southern hemisphere this year, doubled in import value, while other categories saw mild to negative growth this year. Exporters and industry associations are encouraged to target key consumer priorities in market promotions. This will help maximize market interest and support stone fruit's still privileged position in Taiwan's fruit market.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Taipei [TW1]
[TW]

Executive Summary

Stone fruit has held a privileged position in Taiwan's fruit universe for at least the past decade. The favored position of the peach in Chinese history and the strong promotion effort given sweet cherries have won stone fruit the position of third most popular fruit category (by volume, after citrus and deciduous fruit). While Taiwan produces significant quantities of Japanese apricots, plums and peaches, they, with the exception of the latter, are largely channeled into processed food applications. Therefore, an estimated one half of total fresh stone fruit consumption is supplied by imports.

Taiwan's entry into the WTO opened Taiwan's market to new suppliers of both stone fruit and a wide array of other fruits. While rival suppliers in other countries have certainly challenged US dominance of the stone fruit market, an even more important challenge has come from the diversion of consumer attention toward other fruit categories during the critical summer months for stone fruit. New fruit varieties and even new fruits allowed into Taiwan under WTO rules have created a summertime fruit market on the island that is much more diverse than was so only several years ago.

Relatively good crop conditions worldwide once again helped to moderate prices and drive demand up in 2005. This demand was met, in part, by increasingly aggressive exporters from Chile, Australia and Japan, which served to pare down again the overall US share of the market. Still by far the largest supplier to the market, the United States now accounts for roughly 78% of stone fruit imports. As China is expected to remain out of the market for plums, peaches and nectarines for the foreseeable future, the US will continue to account for most (better than 95%) of northern hemisphere supply, while US market share overall is widely anticipated to bottom out at around 70% due to continuing growth from southern hemisphere suppliers in Chile and Australia.

To ensure a healthy market for US stone fruit in Taiwan, exporters and industry associations are encouraged to provide additional attention to importer and consumer needs and to consider supporting marketing programs that help draw consumer attention back to stone fruit.

Production

Taiwan produces roughly 2/3 of its total, and roughly 1/2 of its fresh, consumption of stone fruits (Japanese apricots, plums, peaches, nectarines, jujubes (Chinese dates) and cherries). Of the total 154,043 mt harvested in 2005, Japanese apricots accounted for about 38% (59,000 mt), plums for 21% (32,700 mt), jujubes[1] for 21% (32,300 mt) and peaches and nectarines for almost 20% (30,043 mt). Taiwan does not produce cherries. Production is expected to remain relatively consistent through the coming several year period.

[1] Note that the 2005 report did not take jujubes into account, thus the discrepancies in comparisons made between the percentages noted in this and the previous GAIN report. Following years will continue to track and report on jujube statistics.

Stone fruit varieties cultivated in Taiwan to date are largely “local” or “Asian” in origin and, as such, differ (with the exception of peaches) significantly from imported varieties in terms of appearance, taste and application. An estimated 80% of the annual harvest of plums and Japanese apricots (some 65~75k mt) is channeled into the manufacture of value-added fruit products, including candied, preserved, dried fruit as well as fruit wine.

Taiwan’s large middle class and consumption-oriented propensities have joined in recent years with renewed market interest in / nostalgia for distinctively Taiwanese foods. Preserved and otherwise processed plums and Japanese apricots, as a widely accepted mainstay of the Taiwanese snack lineup, have enjoyed a resurgent popularity that promises to hold through the coming years. Consequent demand for local varieties of fresh plums and Japanese apricots for use in processing these snacks has helped stone fruit orchards resist, and slightly reverse, the overall pressures felt in the overall domestic fruit sector to reduce crop acreage and shift resources away from fruit production. While, for example, the area in which apples are harvested has fallen by some 10% since 2002. The area under stone fruit cultivation has held roughly the same over the last 5 years and may indeed increase slightly given steady or increasing demand.

Taiwan grown peaches are sold and consumed fresh and, unlike plums and Japanese apricots, compete in the same market as imports.

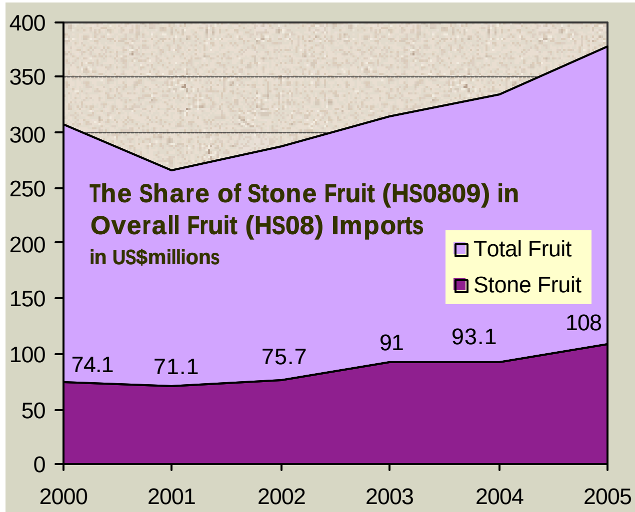
Taiwan peaches are available in the marketplace between late February and early June. The season for plums and Japanese apricots is slightly later, from March through late June.

Consumption

Market demand for stone fruit is well established in Taiwan, with the core market dealing in commodity varieties and a healthy periphery handling specialty stone fruit varieties (donut peaches, pluots, and super-sized Japanese gift peaches) that attract market curiosity and command premiums. In terms of fresh (non-processed) stone fruit, high quality fruit imported from the United States and other countries has been a staple of grocery stores and fruit markets for more than a decade.

The 220,187 metric tons of stone fruit consumed in Taiwan during 2005 again represents a slight (6%) increase over the 208,333 mt consumed during the previous year. Increases (and decreases) in fresh consumption are derived almost exclusively from imports and, as was very apparent during the 2003/2004 year with numerous poor cherry crops and the 2004/2005 year with generally poor plum crops around the world, growth (or decline) in local market consumption during any given year is influenced greatly by the availability of stone fruit crops of reasonable (in historical terms) price and quality from foreign suppliers.

As shown in the table below, imported stone fruit accounts for 29% of Taiwan’s total demand for imported fresh fruit (most tree fruit, with the exception of citrus, is primarily imported). This ratio is expected to remain relatively stable through the coming several years.



Taiwanese rank among the highest consumers per capita of fruit in the world. Fruit is regularly eaten as a snack and as dessert and is the most popular "visiting gift" to share with friends and relatives. Supporting this highly fruit-oriented diet is a wide selection of locally grown fruit (from tropical fruits like bananas, mangoes, and custard apples to temperate fruits such as apples, jujubes and peaches) *and* an active and sophisticated trade in imported fruit.

Enjoying such a diverse and competitive fresh fruit market, Taiwanese are both knowledgeable and careful in their purchases. The core commodity markets for fruit, including stone fruit, demand good quality at competitive prices. There is virtually no market in Taiwan for second-quality – with even slightly bruised or otherwise imperfect fruit sold at a sacrifice or simply dumped. Consumers examine fruit purchased carefully for appearance and quality. The broad diversity of fresh fruits available during most of the year also means that switching among "similar" fruit categories is common when consumers cannot purchase a particular fruit item at an acceptable price point or quality level.

Good "Face Value"

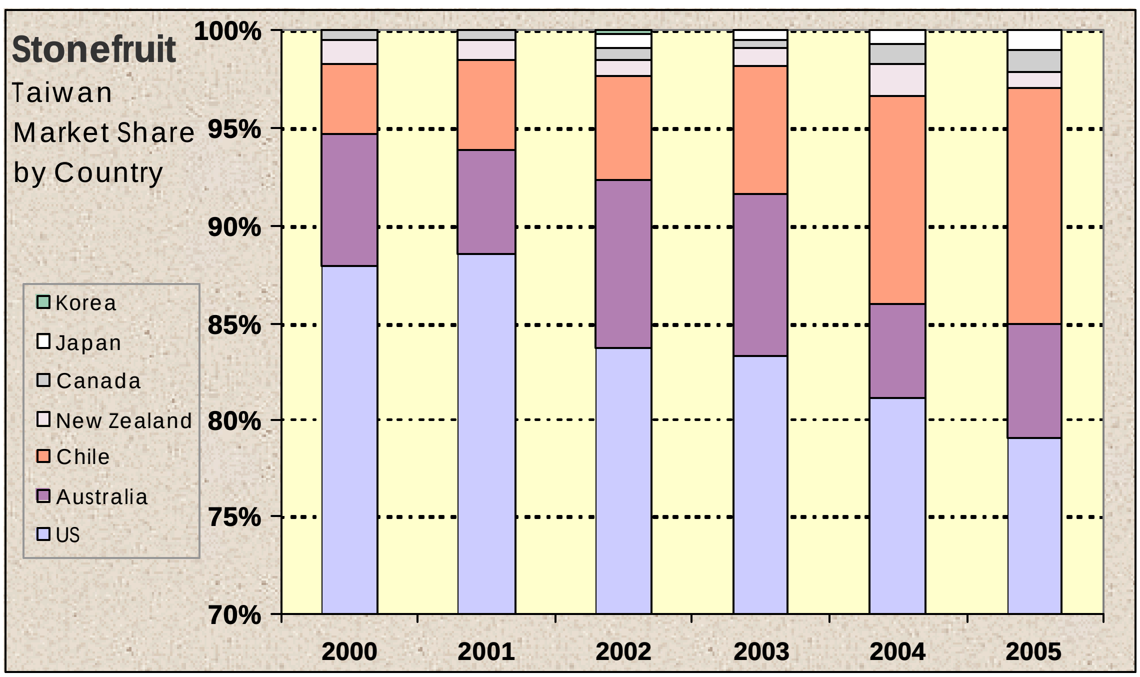
As with deciduous fruit (apples, Asian pears), attractive appearance (size, color, shape) and quality image are given significant weight by the Taiwan consumer. This reflects the broad-based use of fruit as an expression of social courtesy and thoughtfulness. Unless bought solely for personal consumption (rarely), the color, size, and general appearance of fruit is typically quite important to the retail customer. Serving good-looking fruit to family, friends, or clients intimates good manners, generosity, and warmth. The "best-looking" fruit, often specially presented on store shelves or sold in gift packaging, fetches the highest prices. Fruit categories (such as sweet cherries) and varieties (such as white flesh peaches) that are perceived / successfully marketed as premium items enjoy strong demand and earn for importers the highest profit margins.

Trade

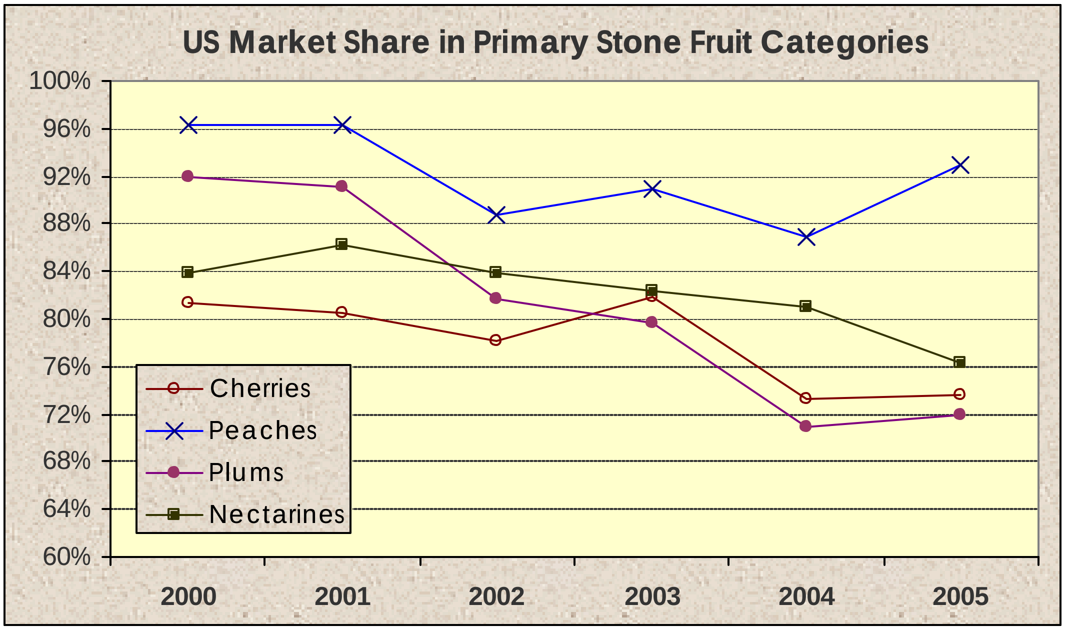
As noted above, roughly 1/3 of Taiwan's total stone fruit demand and 1/2 of total fresh stone fruit consumption, respectively, are imported. In terms of volume, peaches and nectarines represent the largest segment (57%), followed by cherries (about 16%), plums (26%), and apricots (negligible). Generally good harvests in the northern hemisphere for plums during 2005 saw prices drop and demand soar (doubling from 9.3K to 18K metric tons). Good crop numbers but 5~20% increases in CIF prices for cherries, nectarines, and peaches held growth in stone fruits other than these and plums to modest or slightly negative numbers. Exceptional demand for plums also reflects importers choosing to import them over more expensive nectarines. The strong 11% growth during 2005 reflected largely a "catching up" with extant demand in 2004 that went unmet due to higher retail prices.

Factoring out variability in crop conditions, the Taiwan market remains on a track of moderate upward growth (4~6% per annum over the next three year period) in terms of its import and consumption of stone fruit.

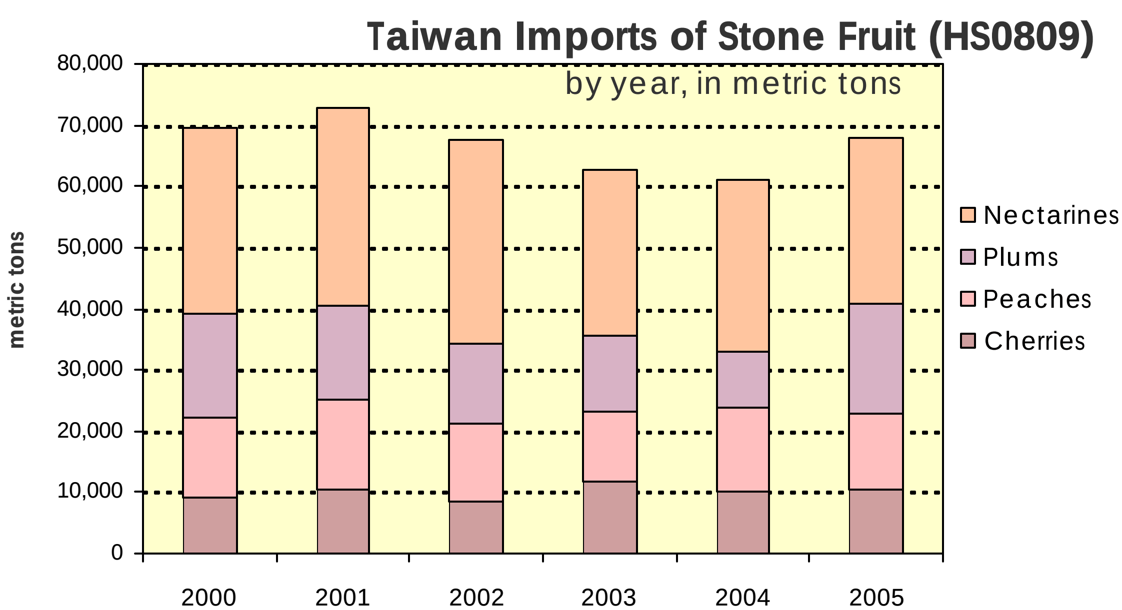
The Japanese apricot is the "odd man out" in Taiwan's stone fruit picture. As noted in the production section, Japanese apricots consumed in Taiwan are largely locally produced and used to make further processed food items (dried, preserved, etc.). Resurgence in popularity of traditional snacks in recent years has put pressure on local supplies and opened up opportunities for imported fresh apricots. Contrary to initial expectations, imports of fresh apricots lost ground in 2005, falling to 3.2 metric tons from 5.1 mt the previous year (imports all from the US). Continued consumer enthusiasm for traditional processed fruit snacks is necessary to continue supporting growth in this category.



Trade and the WTO: Taiwan's entry into the WTO in 2002 (January) opened the island's stone fruit market to countries previously banned (Korea and Japan) or restricted. As shown in the table below, US market share in all categories has fallen off pre-WTO highs. While US market share has been "watered down" somewhat by rising import volumes from competitors, US stone fruit is facing a truly new competitive landscape in Taiwan's post-WTO market. Taiwan's summertime fruit



markets today display a much broader array of fresh fruit choices both from abroad (Japan, Korea, SE Asia) and from domestic producers (improved varieties of mangoes, citrus, berries, etc.). *Product substitution* has proven to date to be a significantly larger threat to stone fruit's former dominance of summertime store shelves than by stone fruit from competing northern hemisphere suppliers. In order to retain and improve the market for US stone fruit, US industry and exporters are encouraged to maintain targeted and effective marketing programs that underscore stone fruit as the summer fruit of choice for Taiwan consumers. Promotion programs may do best to address key consumer objectives (health, face value, reliable quality) and take advantage of Taiwan's interest in new varieties of familiar fruits by introducing and promoting such.



General Phytosanitary Requirements

Taiwan subjects stone fruit imports to inspection based on three foundation laws: the Food Safety Management Act, Food Safety Management Regulations, and Maximum Residue Level Standards.

Taiwan currently bans or subjects to pest-free certification requirements imports of stone fruit from countries with the following pests: (1) Mediterranean fruit fly, (2) Peach fruit fly, (3) Codling moth, (4) Apple maggot, (5) Mexican fruit fly, (6) Plum curculio, (7) Queensland fruit fly, (8) South American fruit fly and (9) Western Flower Thrips.

Taiwan defines maximum residue levels (MRLs) for around 60 chemicals. Shipments are checked on a random basis. Taiwan's Department of Health (DOH) is currently reviewing current permitted chemicals and MRLs for each. The Agricultural Affairs Section at the American Institute in Taiwan and U.S. industry have worked to ensure that all pesticide and other chemicals of concern to U.S. industry are permitted under temporary arrangement during the review period as well as to see that chemicals and residue levels will be defined in such a way as to not become a trade barrier to U.S. suppliers. The DOH review process is expected to run several years during which formal announcement of new MRLs will be made.

A list of MRLs in English is available on the Department of Health's website at URL: http://www.doh.gov.tw/english/food/1.5.htm

The China Factor in Competition in the Taiwan Stone Fruit Market

Taiwan has opened the two stone fruit categories of apricots and cherries to import from China. To date, Taiwan has recorded no imports of either.

While importers have indicated certain interest in assessing China suppliers' capabilities in supplying fresh cherries, logistical difficulties and continuing quality control difficulties have, to date prevented any successful sales. Cherries, with their unique position as a high volume, high value, short sales window item, represent both high risk and high profit for Taiwanese importers. As such, established suppliers in the United States and other major fruit producing countries are still preferred due to their reliability and responsiveness.

At the present time, the import of stone fruit from China, while remaining a long-run threat to US market share, is not considered a factor in current market competition.

Statistics

Commodity	Fresh Plums & Prunes					(HA)(1000 TREES)(MT)	
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	0	5783	0	5840	0	5900	(HA)
Area Harvested	0	5760	0	5830	0	5890	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Commercial Production	35500	63000	35500	65000	0	64000	(MT)
Non-Comm. Production	500	270	500	250	0	250	(MT)
TOTAL Production	36000	63270	36000	65250	0	64250	(MT)
TOTAL Imports	11000	9300	11000	18086	0	17500	(MT)
TOTAL SUPPLY	47000	72570	47000	83336	0	81750	(MT)
Domestic Fresh Consump	17000	42570	17000	53336	0	51250	(MT)
Exports, Fresh Only	0	0	0	0	0	0	(MT)
For Processing	30000	30000	30000	30000	0	30500	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	47000	72570	47000	83336	0	81750	(MT)

Imports

Commodity	Fresh Plums & Prunes		
Time Period	2004-2005	Units:	mt
Imports for:	2004		**2005**
U.S.	6081	U.S.	14181
Others		Others	
Chile	2224	Chile	2873
Australia	705	Australia	1031
Total for Others	2929		3904
Others not Listed	0		1
Grand Total	9010		18086

Exports

Commodity	Fresh Plums & Prunes		
Time Period	2004-2005	Units:	mt
Exports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
	0		0
Total for Others	0		0
Others not Listed	0		0
Grand Total	0		0

Commodity	Fresh Peaches & Nectarines (HA)(1000 TREES)(MT)						
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	0	0	0	0	0	0	(HA)
Area Harvested	0	0	0	0	0	0	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Commercial Production	31265	29482	32000	30043	0	28900	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	31265	29482	32000	30043	0	28900	(MT)
TOTAL Imports	40263	40263	41500	39177	0	41000	(MT)
TOTAL SUPPLY	71528	69745	73500	69220	0	69900	(MT)
Domestic Fresh Consump	71483	69700	73460	69220	0	69860	(MT)
Exports, Fresh Only	45	45	40	0	0	40	(MT)
For Processing	0	0	0	0	0	0	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	71528	69745	73500	69220	0	69900	(MT)

Imports

Country	Taiwan		
Commodity	Fresh Peaches & Nectarines		
Time Period	204-2005	Units:	mt
Imports for:	2004		**2005**
U.S.	34311	U.S.	31917
Others		Others	
Chile	3501	Chile	3935
Australia	1993	Australia	2604
Japan	362	Japan	654
New Zealand	79	New Zealand	54
Korea	16	Korea	4
Total for Others	5951		7251
Others not Listed	0		0
Grand Total	40262		39168

Exports

Country	Taiwan		
Commodity	Fresh Peaches & Nectarines		
Time Period	2004-2005	Units:	mt
Exports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Canada	40	Canada	0
Total for Others	40		0
Others not Listed	0		0
Grand Total	40		0

Commodity	Fresh Cherries, (Sweet & Sour)					(HA)(1000 TREES)(MT)	
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[	DA Official [	Estimate[	DA Official [	Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	0	0	0	0	0	0	(HA)
Area Harvested	0	0	0	0	0	0	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Commercial Production	0	0	0	0	0	0	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	0	0	0	0	0	0	(MT)
TOTAL Imports	13200	9881	14000	10588	0	12000	(MT)
TOTAL SUPPLY	13200	9881	14000	10588	0	12000	(MT)
Domestic Fresh Consump	13200	9881	14000	10588	0	12000	(MT)
Exports, Fresh Only	0	0	0	0	0	0	(MT)
For Processing	0	0	0	0	0	0	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	13200	9881	14000	10588	0	12000	(MT)

Imports

Country	Taiwan		
Commodity	Fresh Cherries, (Sweet & Sour)		
Time Period	2004-2005	Units:	mt
Imports for:	2004		**2005**
U.S.	7325	U.S.	7782
Others		Others	
New Zealand	883	New Zealand	501
Chile	871	Chile	1255
Canada	644	Canada	766
Australia	157	Australia	277
Total for Others	2555		2799
Others not Listed	0		0
Grand Total	9880		10581

Exports

Country	Taiwan		
Commodit	Fresh Cherries,(Sweet&Sour)		
Time Period	2004-2005	Units:	mt
Exports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
	0		0
Total for Others	0		0
Others not Liste	0		0
Grand Total	0		0